

TOWNSHIP OF ST. CHARLES
SAGINAW COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2004

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <i>St. Charles</i>	County <i>Lapeer</i>
Audit Date <i>6/30/04</i>	Opinion Date <i>8/11/04</i>	Date Accountant Report Submitted to State: <i>11/18/05</i>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <i>Barry E. Ganderke, CPA, PC</i>			
Street Address <i>1107 E. 9th Street</i>	City <i>Traverse City</i>	State <i>MI</i>	ZIP <i>49686</i>
Accountant Signature <i>Barry E. Ganderke, CPA</i>			

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Introductory Section

TOWNSHIP OF ST. CHARLES
ORGANIZATION
JUNE 30, 2004
=====

TOWNSHIP OFFICIALS

Lawrence J. Mahoney	Supervisor
Elaine K. Rolando	Clerk
Kathleen M. Klein	Treasurer
Vivian M. Vogelaar	Trustee
John Vogt	Trustee

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of St. Charles
Saginaw County, Michigan

We have audited the accompanying financial statements of the governmental activities and each major fund of the Township of St. Charles as of and for the year ended June 30, 2004, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

Township of St. Charles
Independent Auditors' Report
Page Two

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of St. Charles, Saginaw County, Michigan, as of June 30, 2004, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as of June 30, 2004.

The required budgetary comparison information identified in the table of contents, is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Barry E. Landolt, CPA, PC

August 11, 2004

Basic Financial Statements

TOWNSHIP OF ST. CHARLES
GOVERNMENT-WIDE
STATEMENT OF NET ASSETS
June 30, 2004
=====

ASSETS

Current Assets:

Cash and cash equivalents	\$ 98,199
Restricted cash	2,527
Prepaid expenses	<u>6,473</u>

Total current assets	<u>107,199</u>
----------------------	----------------

Noncurrent Assets:

Capital assets:

Land	8,835
Buildings and improvements	88,608
Machinery and equipment	11,582
Office furniture and equipment	46,505
Cemetery	23,423
Less: accumulated depreciation	<u>(16,175)</u>

Total noncurrent assets	<u>162,778</u>
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Total Assets	<u>\$ 269,977</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accrued expenses	<u>\$ 1,599</u>
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Total current liabilities	<u>1,599</u>
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Fund balances:

Invested in capital assets	162,778
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Reserved for:

Cemetery Chapel Fund	2,527
Prepaid insurance	6,473

Unreserved:

Undesignated	<u>96,600</u>
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Total fund balances	<u>268,378</u>
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Total Liabilities and Net Assets	<u>\$ 269,977</u>
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See notes to financial statements.

TOWNSHIP OF ST. CHARLES
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004
=====

Programs	<u>Expenses</u>	<u>Program Revenues</u>	<u>Fees, Charges for Services</u>	<u>Operating Grants and Contrib.'s</u>	<u>Capital Grants and Contrib.'s</u>
Legislative:					
Township board	\$ 3,658	\$		\$	\$
General					
Government:					
Supervisor	8,799				
Elections	680				
Accounting	29,973				
Assessor	14,959				
Attorney	591				
Clerk	10,311				
Board of review	1,191				
Treasurer	16,585				
Township hall	6,406				
Cemetery	10,642		7,860		
Public Safety:					
Building					
inspection	11,319		5,990		
Planning					
commission	6,990				
Public Works:					
Drains	8,836				
Roads	68,074				
Sanitation	59,694		64,014		
Health & Welfare:					
Health center	814				
Culture &					
Recreation:					
Parks &					
recreation	6,000				
Other:					
Ecology	500				
Depreciation	<u>16,175</u>				
Total					
governmental					
activities	<u>\$282,197</u>		<u>\$ 77,864</u>	<u>\$</u>	<u>\$</u>

Net (Expenses)
Revenues and
Changes in
Net Assets

\$ (3,658)

(8,799)

(680)

(29,973)

(14,959)

(591)

(10,311)

(1,191)

(16,585)

(6,406)

(2,782)

(5,329)

(6,990)

(8,836)

(68,074)

4,320

(814)

(6,000)

(500)

(16,175)

(204,333)

TOWNSHIP OF ST. CHARLES
GOVERNMENT-WIDE
STATEMENT OF ACTIVITIES
For The Year Ended June 30, 2004
(Continued)

=====				
Program Revenues				
Programs	<u>Expenses</u>	Fees, Charges for	Operating Grants and	Capital Grants and
		<u>Services</u>	<u>Contrib.'s</u>	<u>Contrib.'s</u>
Governmental Activities:	<u>\$282,197</u>	<u>\$ 77,864</u>	<u>\$ _____</u>	<u>\$ _____</u>

General revenues:

Property taxes, levied for general purposes
Licenses
State revenue sharing
Interest earnings
Rentals
Miscellaneous

Total General revenues

CHANGE IN NET ASSETS

Net assets - beginning of year

Net assets - end of year

See notes to financial statements.

Net (Expenses)
Revenues and
Changes in
Net Assets

\$ (204,333)

76,763

18

97,487

751

40

151

175,210

(29,123)

297,501

\$ 268,378

TOWNSHIP OF ST. CHARLES
GOVERNMENTAL FUND
BALANCE SHEET
June 30, 2004
=====

	General Fund	Total Governmental Funds
ASSETS		
Cash and cash equivalents	\$ 98,199	\$ 98,199
Restricted cash	2,527	2,527
Prepaid expenses	<u>6,473</u>	<u>6,473</u>
Total Assets	<u>\$ 107,199</u>	<u>\$ 107,199</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accrued expenses	<u>\$ 1,599</u>	<u>\$ 1,599</u>
Total liabilities	<u>1,599</u>	<u>1,599</u>
Fund balances:		
Reserved for:		
Cemetery Chapel Fund	2,527	2,527
Prepaid insurance	6,473	6,473
Unreserved:		
Undesignated	<u>96,600</u>	<u>96,600</u>
Total fund balances	<u>105,600</u>	<u>105,600</u>
Total Liabilities and Fund Balances	<u>\$ 107,199</u>	<u>\$ 107,199</u>

See notes to financial statements.

TOWNSHIP OF ST. CHARLES
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2004
=====

Amounts reported for governmental activities in the
statement of net assets are different because:

Total Fund Balance - Governmental Funds	\$ 105,600
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Capital assets used in governmental activities
are not financial resources and therefore are
not reported as assets in governmental funds:

Cost of capital assets	178,953
Accumulated depreciation	<u>(16,175)</u>

Total Net Assets - Governmental Activities	<u>\$ 268,378</u>
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See notes to financial statements.

TOWNSHIP OF ST. CHARLES
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE
GOVERNMENTAL FUNDS

For The Year Ended June 30, 2004

	General Fund	Total Governmental Funds
REVENUES:		
Property taxes	\$ 76,763	\$ 76,763
Building permits	5,990	5,990
Dog licenses	18	18
State aid	97,487	97,487
Grave lots and other sales	7,860	7,860
Interest and dividends	751	751
Special assessments-refuse	64,014	64,014
Rents	40	40
Miscellaneous	<u>151</u>	<u>151</u>
Total revenues	<u>253,074</u>	<u>253,074</u>
EXPENDITURES:		
Legislative	3,658	3,658
General government	104,690	104,690
Public safety	18,309	18,309
Public works	136,604	136,604
Health & welfare	814	814
Culture & recreation	6,000	6,000
Ecology	<u>500</u>	<u>500</u>
Total expenditures	<u>270,575</u>	<u>270,575</u>
NET CHANGES IN FUND BALANCES	(17,501)	(17,501)
FUND BALANCES:		
Beginning of year	<u>192,651</u>	<u>192,651</u>
End of year	<u>\$ 175,150</u>	<u>\$ 175,150</u>

See notes to financial statements.

TOWNSHIP OF ST. CHARLES
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES

For The Year Ended June 30, 2004

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Amounts reported for governmental activities in the
statement of activities are different because:

Total net change in fund balances - governmental funds	\$(17,501)
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Capital outlays to purchase capital assets
and books are recorded in governmental
funds as expenditures. However, for
governmental activities those costs are
shown in the statement of net assets and
are depreciated over their estimated
useful lives as annual depreciation in
the statement of activities.

This amount by which capital outlays
exceeded depreciation in the period.

Capital outlays	\$ 4,553
Depreciation expense	<u>(16,175)</u> (<u>11,622</u>)

Change in net assets of governmental activities	<u>\$(29,123)</u>
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See notes to financial statements.

TOWNSHIP OF ST. CHARLES
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
CURRENT TAX FUND
June 30, 2004
=====

ASSETS

Cash and cash equivalents	\$ -
Total Assets	<u>\$</u>

LIABILITIES

Due to other funds	\$ -
Total Liabilities	<u>\$</u>

See notes to financial statements.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Township of St. Charles (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

A. Reporting Entity

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The Township has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The Township

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-Wide and Fund Financial Statements (Continued)

has no responsibility for any fiduciary funds. Major individual governmental funds are reported as separate columns in the financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when a payment is due.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Saginaw County, which advances the Township 100% for the delinquent taxes.

The 2003 taxable valuation of the Township totaled \$61,862,216, on which ad valorem taxes levied consisted of .9098 mills for Township operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees of \$17,574 to collect the taxes and applicable interest.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Township reports the following major governmental funds:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund.

The *current tax collection fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Property taxes, interest and charges for services are susceptible to accrual. Other receipts and taxes become measurable and available when cash is received by the Township and are recognized as revenue at that time.

D. Assets, Liabilities and Net Assets

1. Cash and investments

Cash includes amounts in demand deposits and savings accounts.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

1. Cash and investments (Continued)

The Township reports its investments in accordance with GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration (with a maturity of three, months or less) the rate of return is fixed, such as certificates of deposit, and the Township intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

The Township Board has designated two banks for the deposit of Township funds, but is currently using only one bank.

2. Short-term Interfund Receivables/Payable

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet in the governmental fund financial statements.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

3. Receivables and Payables

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

4. Capital Assets

Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	40 years
Machinery and equipment	5 years
Office furniture and equipment	5 years
Cemetery improvements and equipment	10 years

5. Compensated Absences

The Township does not have a compensated absence policy.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Assets, Liabilities and Net Assets (Continued)

6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as other financing sources net of applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

7. Fund Balance

In the fund financial statements, the unreserved fund balances for governmental funds represent the amount available for budgeting future operations. The reserved fund balances for governmental funds represent the amount that has been legally identified for specific purposes or indicates that a component of assets does not constitute "available spending resources". The designated fund balances for governmental funds represent tentative plans for future use of financial resources.

8. Use of Estimates

The process of preparing general purpose financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriations budgets are adopted for the general, special revenue and debt service funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.
4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to July 1st.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

B. Excess of Expenditures over Appropriations

During the year ended June 30, 2004, the Township has not incurred expenditures in certain budgetary funds which were in excess of amounts appropriated.

NOTE 3: DEPOSITS, INVESTMENTS AND CREDIT RISK

Cash and cash equivalents are held separately in the name of the Township by each of the Township's funds.

Deposits

At year-end, the carrying amount of the Township's deposits were \$100,726 and the bank balance was \$108,715, of which \$108,715 was covered by federal depository insurance. The Township has \$64 in petty cash on hand.

NOTE 4: DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS

Capital asset balances and activity for the year ended June 30, 2004 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 8,835	\$	\$	\$ 8,835
Capital assets being depreciated:				
Buildings & improvements	88,608			88,608
Machinery & equipment	11,582			11,582
Office furniture & equipment	46,505			46,505
Cemetery improvements & equipment	18,870	4,553		23,423
Subtotal	165,565	4,553		170,118

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 4: DISCLOSURE OF INFORMATION ABOUT CAPITAL ASSETS
(Continued)

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities (Continued):				
Subtotal	<u>165,565</u>	<u>4,553</u>	<u> </u>	<u>170,118</u>
Less accumulated depreciation for:				
Buildings & improvements		2,215		2,215
Machinery & equipment		2,317		2,317
Office furniture & equipment		9,301		9,301
Cemetery improvements & equipment		<u>2,342</u>		<u>2,342</u>
Subtotal		<u>16,175</u>		<u>16,175</u>
Net capital assets being depreciated	<u>165,565</u>	<u>(11,622)</u>		<u>153,943</u>
Governmental activities capital assets-net of depreciation	<u>\$ 174,400</u>	<u>\$ (11,622)</u>	<u>\$ </u>	<u>\$ 162,778</u>

NOTE 5: RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers compensation). The Township has purchased commercial insurance for these types of claims. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

NOTE 6: PENSION PLAN

The Township does not provide a pension plan for its employees.

TOWNSHIP OF ST. CHARLES
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
=====

NOTE 7: INTERGOVERNMENTAL AGREEMENTS

The Township has an agreement with the Tri-Township Fire Department of Brant, St. Charles, and Swan Creek Townships to render fire protection to its residents.

NOTE 8: IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As of and for the year ended June 30, 2004, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF ST. CHARLES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2004

	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
Property taxes and related fees	\$ 74,248	\$ 74,248	\$ 76,763	\$ 2,515
Building permits			5,990	5,990
Dog licenses			18	18
State aid	69,204	69,204	97,487	28,283
Grave lots and other sales			7,860	7,860
Interest and dividends	2,500	2,500	751	(1,749)
Special assessments - refuse	65,000	65,000	64,014	(986)
Rents			40	40
Miscellaneous	<u>19,000</u>	<u>19,000</u>	<u>151</u>	<u>(18,849)</u>
Total revenues	<u>229,952</u>	<u>229,952</u>	<u>253,074</u>	<u>23,122</u>
EXPENDITURES:				
Legislative:				
Township board	4,550	4,550	3,658	892
General government:				
Supervisor	9,350	9,350	8,799	551
Elections	3,000	3,000	680	2,320
Accounting	32,200	32,200	29,973	2,227
Assessor	16,000	16,000	14,959	1,041
Attorney	1,500	1,500	591	909
Clerk	10,750	10,750	10,311	439
Board of review	2,200	2,200	1,191	1,009
Treasurer	25,400	25,400	16,585	8,815
Township hall	11,000	11,000	6,406	4,594
Cemetery	21,150	21,300	15,195	6,105
Public safety:				
Building inspection	16,100	16,100	11,319	4,781
Planning commission	8,375	8,375	6,990	1,385
Public works:				
Drain expense	6,500	8,850	8,836	14
Roads	110,000	110,000	68,074	41,926
Sanitation	65,000	65,000	59,694	5,306

TOWNSHIP OF ST. CHARLES
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2004
(Continued)

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	<u>Budgeted Amounts</u>			Variance with Final Budget Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
EXPENDITURES				
(Continued):				
Health & welfare:				
Health center	1,200	1,200	814	386
Culture & recreation:				
Parks & recreation	6,000	6,000	6,000	
Other:				
Ecology	<u>500</u>	<u>500</u>	<u>500</u>	<u> </u>
Total				
expenditures	<u>350,775</u>	<u>353,275</u>	<u>270,575</u>	<u>82,700</u>
Net change in fund				
balances	(120,823)	(123,323)	(17,501)	105,822
Fund balances -				
beginning	<u>139,024</u>	<u>139,024</u>	<u>192,651</u>	<u>53,627</u>
Fund balances -				
ending	<u>\$ 18,201</u>	<u>\$ 15,701</u>	<u>\$175,150</u>	<u>\$ 159,449</u>

TOWNSHIP OF ST. CHARLES
INDEPENDENT AUDITORS' REPORTS
ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE/BOARD OF COMMISSIONERS
AND
MANAGEMENT ADVISORY COMMENTS

JUNE 30, 2004

TOWNSHIP OF ST. CHARLES
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JUNE 30, 2004

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**INDEPENDENT AUDITORS' REPORT ON
COMMUNICATIONS WITH THE AUDIT COMMITTEE/
BOARD OF COMMISSIONERS**

To the Township Board
Township of St. Charles

We have audited the financial statements of the Township of St. Charles ("Township") as of and for the year ended June 30, 2004, and have issued our report, thereon, dated August 11, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we communicate certain matters to your audit committee or its equivalent. These communications are reported in the following paragraphs.

Auditors' Responsibilities Under Auditing Standards Generally Accepted in the United States of America - In planning and performing our audit of the financial statements, we considered your internal control in order to determine our auditing procedures for purposes of expressing our opinion on the financial statements and not to provide assurance on your internal control. Also, an audit conducted under auditing standards generally accepted in the United States of America is designed to obtain a reasonable, rather than absolute, assurance about the financial statements.

Significant Accounting Policies - The significant accounting policies used in the preparation of your financial statements are discussed in Note 1 to the financial statements. There were several audit adjusting journal entries and no controversial accounting issues.

Management Judgments and Accounting Estimates - Significant management judgments and accounting estimates are disclosed in the notes to the financial statements.

Other Information in Documents Containing Audited Financial Statements - All the information included in the financial statements document has been audited and our responsibilities are addressed in the Independent Auditors' Report.

**INDEPENDENT AUDITORS' REPORT ON COMMUNICATIONS WITH THE
AUDIT COMMITTEE - CONTINUED**

Audit Adjustments - For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Township's financial reporting process (that is, cause future financial statements to be materially misstated). The attached audit adjustments, in our judgment, indicate matters that could have a significant effect on the Township's financial reporting process (see page 5 showing the audit adjusting journal entries).

Disagreements With Management - For purposes of this letter, professional accounting standards define disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the audit.

Consultations With Other Accountants - To our knowledge, management has not consulted with other accountants regarding auditing and accounting matters.

Major Issues Discussed With Management Prior to Retention - There was no discussions regarding the application of accounting principles or auditing standards with management prior to our retention as your auditor.

Difficulties Encountered in Performing the Audit - There were no difficulties encountered in performing the audit. The staff was very cooperative and helpful.

This report is intended solely for the information and use of the audit committee or its equivalent and management and is not intended to be and should not be used by anyone other than these specified parties.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire more information on the above communications, we would welcome the opportunity to discuss them with you.

Sandy Exaudette, CPA, PC

August 11, 2004

Barry E. Gaudette, CPA, P.C.

CERTIFIED PUBLIC ACCOUNTANT

1107 East Eighth Street
Traverse City, Michigan 49686
(231) 946-8930
Fax (231) 946-1377

**INDEPENDENT AUDITORS' REPORT ON
MANAGEMENT ADVISORY COMMENTS**

To the Board of Commissioners
Township of St. Charles

We have audited the financial statements of the Township of St. Charles ("Township") as of and for the year ended June 30, 2004, and have issued our report, thereon, dated August 11, 2004. We have also issued compliance reports and reports on the internal control in accordance with *Government Auditing Standards*. These reports disclosed no material instances of noncompliance, weaknesses and reportable conditions.

Other matters involving the Township's operations and internal control, which came to our attention during the audit, are reported on the following pages as management advisory comments.

We would like to take this opportunity to acknowledge the many courtesies extended to us by the Township's personnel during the course of our work.

We shall be pleased to discuss any of the matters referred to in this letter. Should you desire assistance in implementing any of the following suggestions, we would welcome the opportunity of assisting you in these matters.

Barry E. Gaudette, CPA, P.C.

August 11, 2004

TOWNSHIP OF ST. CHARLES
MANAGEMENT ADVISORY COMMENTS
June 30, 2004
=====

There were no management advisory comments necessary to comment on this fiscal year.

TOWNSHIP OF ST. CHARLES
ADJUSTING JOURNAL ENTRIES
 June 30, 2004
 =====

<u>Account #</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
GENERAL FUND			
(1)			
101-000-390	Fund balance	\$ 31,997.18	
101-446-969	Road commission		\$ 31,997.18
	To adjust beginning fund balance for prior year expenditure.		
(2)			
101-000-018	Petty cash	21.04	
101-201-727	Office supplies	31.27	
101-000-694	Other revenue		52.31
	To record petty cash activity during the fiscal year.		
(3)			
101-000-228.03	Medicare	328.57	
101-101-715	FICA	206.46	
101-171-715	FICA	625.62	
101-201-715	FICA	1,050.80	
101-209-715	FICA	996.14	
101-215-715	FICA	747.10	
101-247-715	FICA	91.11	
101-253-715	FICA	1,123.69	
101-276-715	FICA	546.66	
101-371-715	FICA	686.36	
101-000-228.01	Accrued FICA withheld		6,402.51
	To reclassify payroll taxes.		
(4)			
101-201-910	Insurance	190.16	
101-000-084	Prepaid insurance		190.16
	To adjust prepaid insurance to correct amount.		